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IN THE

Supreme Court of the United States

October Term, 1937

No. [REDACTED] 1

GENERAL TALKING PICTURES CORPORATION,
Petitioner.

WESTERN ELECTRIC COMPANY, LTD., RADIO
ELECTRIC RESEARCH PRODUCTS, INC., and
AMERICAN TELEPHONE & TELEGRAPH
COMPANY,

Respondents.

BRIEF FOR PETITIONER

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Counsel for Petitioner.

Respectfully Submitted,
[Signature]

BY [Signature]

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IN THE

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October Term, 1937

No. 357

GENERAL TALKING PICTURES CORPORATION,
Petitioner,

v.

**WESTERN ELECTRIC COMPANY, INC., ELE-
TRICAL RESEARCH PRODUCTS, INC., and
AMERICAN TELEPHONE AND TELEGRAPH
COMPANY,**

Respondents.

BRIEF FOR PETITIONER.

This is a patent infringement suit before this Court on writ of certiorari to the Circuit Court of Appeals for the Second Circuit.

Opinions of the Courts Below.

The opinion of the District Court for the Southern District of New York in this cause is reported in 16 Fed. Supp. 293 (Vol. III, p. 1618 *et seq.*). The opinion of the Court of Appeals for the Second Circuit, affirming the decree below, is reported in 91 Fed. (2) 922 (Vol. III, p. 1712 *et seq.*).

Jurisdiction.

The date of the judgment to be reviewed is August 2, 1937 (Vol. III, p. 1725 *et seq.*).

The writ of certiorari was granted by this Court on October 11, 1937.

The jurisdiction of this Court is invoked under Judicial Code 240-A as amended by the Act of February 13, 1935. The cases believed to sustain the jurisdiction are:

Motion Picture Patents Co. v. Universal Film Co.,
243 U. S. 502; 37 S. Ct. 416; 61 L. Ed. 871;

Carbice Corp. v. American Patents Development Corp., 283 U. S. 27; 51 S. Ct. 344; 75 L. Ed. 819.

Assignment of Errors.

The errors which petitioner urges, are:

1. The Court of Appeals erred in holding, in effect, that the owner of a patent can, by means of the patent, restrict the use made of a device manufactured under the patent after the device has passed into the hands of a purchaser in the ordinary channels of trade, and full consideration paid therefor.
2. The Court of Appeals erred in holding, in effect, that a patent owner, merely by a "license notice" attached to a device made under the patent and sold in the ordinary channels of trade, can place an enforceable restriction on the purchaser thereof as to the use to which the purchaser may put the device.
3. The Court of Appeals erred in holding, in effect, that an inventor who has filed an application for

patent showing and describing, but not claiming, certain inventions, can, more than two years subsequent to public use of the said unclaimed inventions, by him or his assignee, or licensee, file application for and obtain a valid patent for said inventions.

4. The Court of Appeals erred in failing to hold that by the acceptance and retention, by plaintiffs-respondents' authorized agent, of the royalties paid by the licensed manufacturer of the alleged infringing devices, plaintiffs-respondents were barred, under the equitable principles of acquiescence and estoppel, from maintaining this suit.
5. The Court of Appeals erred in failing to hold that each of the patents in suit is invalid as anticipated by or wanting of invention over prior patents in the art.
6. The Court of Appeals erred in failing to reverse the decree of the District Court and to order the dismissal of the bill of complaint in this case.

Statement.

The present suit constitutes a consolidation of three separate suits by respondents for alleged infringement of eight patents—four of the twelve patents included in the bills of complaint having been withdrawn at or prior to the trial.

Six of the patents (four Arnold patents, Mathes and Lowenstein) were found valid and infringed, and two (Arnold) were found invalid.

The case here involves only the six patents which were held valid and infringed.

In finding infringement by petitioner, which purchased and used but did not make or sell the devices embodying the inventions in suit, the Courts below dismissed the defenses (1) that petitioner had purchased these articles in the ordinary channels of trade from a manufacturer duly licensed to make and sell them; (2) that acceptance and retention of royalties for more than one year after suit commenced, with full knowledge of the use to which the articles were put, barred further maintenance of the action; and (3) that the patents were invalid.

The Facts.

(1) All of the patents in suit are included in a patent pool contributed to by respondents and the other large companies of the electrical industry, including Radio Corporation of America, General Electric Company and Westinghouse Electric and Manufacturing Company, which pool of patent rights has become popularly known as "the Radio Trust" (Vol. III, pp. 1305-1413).

By the pooling arrangement Radio Corporation of America was vested with the sole authority to grant licenses under all of the patents of the pool to manufacturers engaged in the manufacture and sale of apparatus embodying the inventions of the respective patents of the pool.

Under this authority, Radio Corporation of America, with respondent American Telephone and Telegraph Company joining as a co-licensor, granted to a number of apparatus manufacturers licenses under all of the patents in the pool, specifically including the patents in suit,

"to manufacture * * *, and sell only for radio amateur reception, radio experimental reception, and radio broadcast reception * * *" (Vol. I, pp. 332-335; Vol. III, p. 1415).

One such manufacturer who acquired a license was the American Transformer Company, which, under its license, manufactured and sold apparatus technically known as a vacuum tube amplifier (Vol. III, p. 1414 *et seq.*).

(2) A vacuum tube amplifier is a standard piece of electrical equipment utilized for amplifying electric currents. It consists solely of the necessary electrical instrumentalities, including vacuum tubes, to which current is supplied to the "input" or "intake" end, and from which the amplified current is obtained from the "output" end. Obviously, an amplifier can be used for any purpose and in any industry where the amplification of an electric current is desired. The same standard instrumentality, therefore, can be utilized for perhaps hundreds of purposes in as many different industries.

(3) Pursuant to the requirement of paragraph 5 of its license agreement (Vol. III, p. 1418), the American Transformer Company attached to each of its amplifiers upon the sale thereof, a plate or label bearing the legend

"License Notice—This apparatus is licensed only for radio, amateur, experimental and broadcast reception under the following patents of the Radio Corporation of America and associated companies"* Vol. II, p. 734).

As above noted the amplifier made and sold by the American Transformer Company can be used for any of many purposes for which amplifiers are used, other than those recited in the foregoing "License Notice".

(4) Petitioner, over a considerable period of time, and in the ordinary course of its business, purchased many

* The patents in suit were included in the patents to which the "License Notice" applied.

hundreds of the amplifiers from the American Transformer Company with this "License Notice" attached thereto, and proceeded to employ them in talking motion picture projection equipment, being engaged solely in the business of making and leasing such motion picture equipment (Vol. I, p. 65, fols. 193-194). Petitioner never made or sold any amplifiers (Vol. I, p. 387, fol. 1160).

(5) The American Transformer Company, exercising its power of sale under the license, sold its amplifiers to petitioner, received its full selling price therefor, and paid its royalties to the Radio Corporation of America therefor under its license agreement with that company, reporting to the Radio Corporation of America the sales of the amplifiers made to petitioner (Vol. III, pp. 1568-1614). Petitioner was well known to Radio Corporation of America, and to respondents; they also knew that its business was confined exclusively to the making and leasing of talking motion picture equipment (Vol. I, pp. 65, 371, 379, 469, 476, 507).

(6) The present suit was instituted charging infringement of the patents in suit under which the amplifiers were manufactured and sold under license by the American Transformer Company, because the use to which petitioner put the amplifiers was outside the alleged "licensed" use specified in the "License Notice" attached to the apparatus. In other words, although tribute to the patents had been paid by the licensee, the patent owner, by a "notice" attached to the apparatus, sought to retain control over the use to which the amplifiers bought in the usual channels of trade from its licensee, and paid for, were subsequently put by the purchaser.

(7) For more than a year after the present suit was begun, Radio Corporation of America retained the royalties

paid by its licensee, the American Transformer Company, on the amplifiers sold by the licensee to petitioner, although throughout that period it was aware not only of the regularly continued sales of the amplifiers to petitioner by the American Transformer Company during such period, but also of the use to which petitioner put the amplifiers (Vol. II, p. 1216; Vol. III, pp. 1568-1614).

(8) Though this suit was commenced in September, 1929, and the license of American Transformer Company to make and sell these amplifiers did not expire until August, 1931 (Vol. III, p. 1421), the license was never cancelled nor was the American Transformer Company ever sued for any alleged breach thereof, and the American Transformer Company was permitted to continue to make and sell the amplifiers to petitioner, without interference, until the natural termination of its license (Vol. I, p. 344, fol. 1031; p. 349, fol. 1047).

(9) With reference to the merits of the patent, four of the six patents in suit issued to an inventor named Arnold. The application for each of the Arnold patents was filed more than two years subsequent to the widely publicized commercial use of the inventions thereof by American Telephone and Telegraph Company, in the first transcontinental telephone line between New York and San Francisco in January, 1915. The inventions of the Arnold patents have been used continuously in the transcontinental telephone line since that time (Vol. I, p. 102, fol. 305). Each of the Arnold patents purports to be either a "division" or a "continuation in part" of an application for patent filed by Arnold in September, 1915, but the "divisional" and "continuation" applications were not filed at the request of or required by the Patent Office, *and the inventions defined by the claims thereof were at no time claimed in the*

parent applications. In other words, although the inventions of the Arnold patents were shown and described in an Arnold application filed within two years of January, 1915, *no claim was ever made for the inventions constituting the subject matter of the four Arnold patents in suit as issued until more than two years subsequent to the widely publicized commercial use of these inventions by the American Telephone and Telegraph Company.*

Specifically, *Arnold Patent No. 1,329,283*, issued on an application filed July 30, 1918—*three years and six months after respondent's commercial use* (Vol. II, p. 628).

Arnold Patent No. 1,403,475, issued on an application filed November 11, 1920—*five years and ten months subsequent to respondent's commercial use* (Vol. II, p. 637).

Arnold Patent No. 1,448,550, issued on an application filed February 3, 1919—*four years and one month subsequent to respondent's commercial use* (Vol. II, p. 641).

Arnold Patent No. 1,465,332, issued on an application filed August 28, 1920—*five years and seven months subsequent to respondent's commercial use* (Vol. II, p. 644).

It will thus be seen that by these series of applications, all filed more than two years, and several of them nearly six years subsequent to commercial use of the inventions disclosed thereby, respondents have succeeded in extending the patent monopoly for the inventions far beyond the seventeen years contemplated by the statute.

(10) Finally, the subject matter claimed by the claims of the six patents here before the Court was disclosed by prior United States patents, and present no valuable invention thereover.

Questions Presented.

The foregoing facts present the following issues for determination by this Court.

1. Can the owner of a patent, by means thereof, restrict the use made of a device manufactured under the patent, after the device has passed into the hands of a purchaser in the ordinary channels of trade, and full consideration paid therefor?

2. Can a patent owner, by means of the patent, merely by a "license notice" attached to a device made under the patent, and sold in the ordinary channels of trade by the patentee or by his licensee to make and sell, place an enforceable restriction on the purchaser thereof as to the use to which the purchaser may put the device?

3. Could respondents' authorized agent accept and retain for more than a year after this suit was begun, and with full knowledge of petitioner's use, royalties paid by the licensed manufacturer on the alleged infringing devices it sold to petitioner, without being barred by acquiescence and estoppel from maintaining this suit?

4. Can an inventor who has filed an application for a patent, showing and describing *but not claiming* certain inventions, obtain a valid patent for said inventions by voluntarily filing a "divisional" or "continuation" application for said *unclaimed* inventions more than two years subsequent to public use of the said unclaimed inventions by him or his assignee or licensee?

5. Do the six patents in suit disclose patentable subject matter over prior disclosures of United States patents?

Petitioner's argument will be presented in the above order.

The Substance of the Opinion of the Court of Appeals Below.

The Court of Appeals for the Second Circuit answered all five of the questions in the affirmative.

With respect to the first and second questions, the Court of Appeals disregarded the numerous decisions of this Court on closely analogous questions * with the statement that the holdings of those cases are not necessarily controlling on the point here at issue (91 Fed. (2) 922 at p. 928; Vol. III, p. 1723). The pertinent statements of this Court in the *Boston Store* case (246 U. S. 8) and in the *General Electric* case (272 U. S. 476) were characterized as "obiter" (91 Fed. (2) 922 at p. 928; Vol. III, p. 1724); and the Court of Appeals concluded its opinion on this subject with the statement (91 Fed. (2) 922 at p. 929; Vol. III, p. 1724):

"This circuit recognized that the patentee may extend his monopoly beyond a sale by a licensee."

With respect to the third question, the Court of Appeals, in holding that receipt and retention of royalties, even for a long period after suit was brought, constitutes no acquiescence, disregarded the rule of this Court in *Brant v. Virginia Coal & Iron Co.*, 93 U. S. 326, 336, that one retaining the fruits of a transaction will not be permitted to deny its validity. In *Vulcan Mfg. Co. v. Maytag Co.*, 73 Fed. (2) 136, to which the Court of Appeals referred as authority for its ruling on this point, this Court granted certiorari in a petition, urging *inter alia*, that acceptance of royalties

* *Motion Pictures Patents Co. v. Universal*, 243 U. S. 502; *Bauer v. O'Donnell*, 229 U. S. 1; *Straus v. Victor Talking Machine Co.*, 243 U. S. 490; *Boston Store v. American*, 246 U. S. 8; *United States v. General Electric Co.*, 272 U. S. 476.

stituted a bar to the action (293 U. S. 553). The case was not argued, however, because the writ was dismissed by stipulation (294 U. S. 734).

With respect to the fourth question, the Court of Appeals predicated its affirmative decision upon a distinction between an inventor (and his assignee or licensee) and all other members of the public, holding that if a public use of the invention of the patent occurred by the defendant in the litigation, or by any other member of the public, more than one year prior to the application for the divisional application, the patent is invalid under Section 4886 R. S.; but, if the public use was by the inventor-applicant (or his assignee or licensee), the statute is inapplicable (Vol. III, p. 22).

With respect to the fifth question, the Court of Appeals answered it in the affirmative, affirming the decision of the District Court, with but scant consideration of the invalidating prior art.

Argument.

At the outset, it should be borne in mind that this suit consists of an attempt, by means of the patents, to restrict the use of a standard article of commerce made and sold everywhere by a licensee under the patents. The attempted restriction is not one which is in any sense inherent to the nature of the article. In other words, whether or not the amplifiers made and sold by American Transformer Company were used for radio, amateur, experimental purposes, for broadcast reception, on the one hand, or were used for any one of the hundreds of other purposes for which amplifiers could have been used, on the other hand, was merely a matter of the purchaser's option. For example,

the same amplifier could have been used for amplifying current in a railway signaling system, in a loud speaker system in an auditorium, for electrically recording phonograph records or the electrical reproduction thereof, in electro-medical laboratories, in power plants—in fact, in any industry where economical, substantial and reliable amplification of electric current is desired.

In essence, therefore, neither the uses of which the amplifier was capable, nor the purported restricted use to which the license notice sought to confine it, was dependent upon the particular construction or arrangement of the amplifier made and sold.

Certainly, the patent gives respondents no power to control the use to which *purchasers* of the amplifiers might put them. Otherwise it would be within the power of respondents (and, according to the contentions made by them in the courts below, it is a power they *assert* as within their right) in that way to parcel out the single monopoly of their patent into an unlimited number of sub-monopolies, one for each possible use for the amplifier. Of course, this cannot be done. Long ago, in a case in which the facts in this respect, at least, were like those here presented (*Washing Machine Co. v. Earle*, 29 Fed. Cas. 17219, p. 332), the Circuit Court pointed out the impropriety and invalidity of any attempt to multiply the single monopoly of a patent by any such sub-division thereof, thereby to control the various uses to which the article, after its sale, might be put. The Court said (p. 334):

“Goodyear, by virtue of his patent, might have manufactured it (vulcanized rubber) all himself, and sold it for such price as he could get; but his patent gives him no power to control the use which persons who purchase may make of it. Vulcanized rubber may be

*applied to a thousand purposes, from a tube to a steam engine, but this patent gives no power to the patentee to parcel out his one monopoly into a thousand sub-monopolies."** (Matter in parenthesis ours.)

In consequence, the first question presented in this cause goes squarely to the legality of the attempted restriction which respondents, by means of their patents, seek to impose upon the use to which petitioner may put the amplifiers it has purchased from a manufacturer licensed to make and sell them.

POINT I.

The owner of a patent cannot, by means of the patent, restrict the use made of a device manufactured under the patent after the device has passed into the hands of a purchaser in the ordinary channels of trade and full consideration paid therefor.

The Court of Appeals for the Second Circuit expressly held (91 Fed. (2) 922, 929; Vol. III, p. 1724):

"* * * the patentee may extend his monopoly beyond a sale by a licensee."

Thus, its decision is to the effect that a patentee may, by means of the patent, maintain a control over the patented article after its sale and full consideration paid therefor, and hold the purchaser as an infringer if the article is used other than as prescribed by a mere "notice" attached to the article when sold. If this decision is sound, the owner of a

* Italics in this brief are ours.

patent for an ordinary pocket lighter (sold across the counter in any retail cigar store) can attach a notice thereto that the lighter is licensed for use only for lighting cigarettes, and successfully maintain a suit for infringement against the purchaser if he uses it for lighting cigars. The absurdity of the logical and practical consequences of the decision in the case at bar will thus be seen.

This suit is concerned with talking motion picture equipment and therefore involves the same industry which this Court in the *Motion Picture Patents* case, 243 U. S. 502, 519 said "must be recognized as an important element in the amusement life of the nation". It is the same industry and the same equipment with respect to which these respondents have already been found to have established and maintained an illegal monopoly in violation of the anti-trust laws. (See *Stapley Company of America, Inc. v. American Tel. & Tel. Co. et al.*; *General Talking Pictures Corporation v. American Tel. & Tel. Co.*; *Duovac Radio Corporation v. American Tel. & Tel. Co.* preliminary injunction granted 4 Fed. Supp. 80; on final hearing, 18 Fed. Supp. 650.)

To proceed a step further, then, the ruling by the Court of Appeals quoted at the commencement of this Point, would in effect make of the patent law the "perfect instrument of favoritism and oppression" (*Motion Picture Patents* case, 243 U. S. 502, 515). In evolving and applying for almost one hundred years, a doctrine precisely to the contrary of that expressed by the Court of Appeals, and holding that a sale exhausts the monopoly of the patent owner as to the particular article involved, this Court, following *Kendall v. Winsor*, 21 How. 322, has invariably interpreted the patent law so as to consider "the benefit to the public or community at large" . . . as "the primary object in granting

and securing that monopoly," rather than "the promotion of private fortunes" (*Motion Picture Patents* case 243 U. S. 502, 511, 519).

A. Outline of the progressive establishment of the rule by this Court that the sale of a patented article by the patent owner or by a licensee having a power of sale, removes the article from the patent monopoly.

(1) This principle was first expressed and applied so as to give a right of use unlimited in point of time, to one who had purchased a patented article from a person whose patent rights, either as owner or territorial assignee, were expressly limited to the original term of the patent. In those cases, therefore, the holder of the extended term was held to have no rights with respect to the article so purchased.*

(2) The rule was thereupon extended to cases involving purchases of patented articles from territorial assignees who themselves had no right to make, sell or use outside the territory to which they were restricted. It was there held (a) that the *purchasers* were not bound under the patent laws by the territorial restrictions of their vendors, and could use the articles elsewhere †; (b), that such vendors were not chargeable with infringement for deliberately selling for use in other territory ‡; and (c) that dealers who purchased such patented articles from territorially limited vendors, could sell or use them elsewhere as well, free from the monopoly of the patent.§ In each of the cases it was

* *Wilson v. Rausseau*, 4 How. 646; *Simpson v. Wilson*, 4 How. 709; *Bloomer v. McQuewan*, 14 How. 539; *Bloomer v. Millinger*, 1 Wall. 340.

† *Adams v. Burke*, 17 Wall. 453.

‡ *Hobbie v. Jennison*, 149 U. S. 355.

§ *Keeler v. Standard Folding Bed Co.*, 157 U. S. 659.

held that though all of the parties concerned had full knowledge of the vendor's restricted rights, the purchasers of the patented articles nevertheless took free of all restrictions under the patents.

(3) Thereupon the attempt by patentees to retain control over patented articles after their sale, by the device of express restrictions in the guise of "license notices" or special agreements with the vendor, intended to enable the patentee to control the resale prices * or the use of those articles by the purchaser,† met with a like fate (See Point II). In each, as this Court stated in the *Boston Store* case, the reason for the decision was the simple but fundamental ground that, title to the patented article having passed, the monopoly of the patent law cannot "be extended beyond the scope of that law, or, in other words, applied to articles after they have gone beyond its reach" (246 U. S. 8, 26).

B. Analysis of cases in which the rule was considered or applied.

From the summary just concluded, it is evident that every attempted restriction on a patented device after it has been sold, by means of the patent under which it was made, has been invalidated by this Court on the ground that a sale exhausts the monopoly of the patent owner as to the particular article involved.

1. Attempted Restrictions on Time of Use.

Thus, in *Wilson v. Rousseau*, 4 How. 646, and *Simpson v. Wilson*, 4 How. 709 (1846), this Court held that one who

* *Bauer v. O'Donnell*, 229 U. S. 1; *Straus v. Victor Talking Machine Co.*, 243 U. S. 490; *Boston Store v. American Graphophone Co.*, 246 U. S. 8.

† *Motion Picture Patents Co. v. Universal Film Co.*, 243 U. S. 502, overruling *Henry v. A. B. Dick Co.*, 224 U. S. 1.

purchased a patented article from a patent owner during the original term of the patent, continued to have the right to use it beyond any limitation in time, though the rights of assignee of the original patent itself were held to have expired with the term as against the claims of one who had obtained an extension of the patent term under the then existing law. These cases lay the foundation of the rule that the sale of a patented chattel exhausts the patent rights of the seller.

This rule was redefined and again applied six years later in *Bloomer v. McQuewan*, 14 How. 539 (1852), in another case dealing with an attempted restriction on the *time of enjoyment*. It was there held that the purchaser of a patented article during the period to which the patent was first limited, was entitled to continue to use it during the extended term, though the right of his vendor,—a territorial assignee—in the patent itself, was confined to the original term. This Court thereupon distinguished between the grant of a patent right such as the *license*, on the one hand, and the *sale* of an article made under that right, on the other hand. Chief Justice TANEY, who wrote the prevailing opinion in this and the earlier *Wilson* cases, *supra*, stated this distinction to be “a plain one”, and held (p. 549):

“... the purchaser of the implement or machine for the purpose of using it in the ordinary pursuits of life, stands on different ground. In using it, he exercises no rights created by the act of Congress, nor does he derive title to it by virtue of the franchise or exclusive privilege granted to the patentee.
... And when the machine passes to the hands of the purchaser, it is no longer within the limits of the monopoly.”

2. *Attempted Restrictions on Place of Use.*

The problem was presented anew in three cases between 1873 and 1895, but this time from the viewpoint of attempted restrictions on the *place of use* of patented articles after sale. In each instance this Court held that such restrictions would not be recognized by the patent law once the patented articles had passed by sale into the channels of trade.

Thus, in *Adams v. Burke*, 84 U. S. 453 (1873), it was held that one who purchased a patented article in the restricted territory of his vendor, acquired the unrestricted right to use it anywhere. This Court held in that case (84 U. S. 453, 456):

“But, in the essential nature of things, when the patentee, or the person having his rights, sells a machine or instrument whose sole value is in its use, he receives the consideration for its use and he parts with the right to restrict that use. The article, in the language of the court, passes without the limit of the monopoly.”

In *Hobbie v. Jennison*, 149 U. S. 355 (1893), it was held that a patent assignee for one territory was not an infringer when he sold to a person who, to his knowledge, intended to use the patented articles so purchased, in the territory of another assignee. The plaintiff in the *Hobbie* case sought to escape the implications of the decision in *Adams v. Burke* by asserting that in the *Adams* case the vendor of the patented device was unaware of the allegedly unauthorized use to which the purchaser put the article, but this Court, after stating that there was full knowledge by all parties in both cases, held (*Hobbie v. Jennison*, 149 U. S. 355, 363):

“But we are of opinion that the case of *Adams v. Burke* cannot be so limited; . . . and that neither the actual use of the pipes in Connecticut, or a knowledge on the part of the defendant that they were intended to be used there, can make him liable.”

The question then arose in *Keeler v. Standard Folding Bed Co.*, 157 U. S. 659 (1895), whether a dealer could be restrained from selling patented articles in his store in Massachusetts, having purchased them from the Michigan assignee with knowledge that the right to make, use and sell them for Massachusetts belonged to another. This Court refused to hold the dealer as an infringer, stating, in effect, that a free citizen may buy anywhere, and, being the owner of what he buys, may sell it anywhere. Reviewing *Adams v. Burke* and *Hobbie v. Jennison*, this Court held (pp. 666-667):

"Upon the doctrine of these cases we think it follows that one who buys patented articles of manufacture from one authorized to sell them becomes possessed of an absolute property in such articles, unrestricted in time or place."

The conclusion reached does not deprive a patentee of his just rights, because no article can be unfettered from the claim of his monopoly without paying its tribute. The inconvenience and annoyance to the public that an opposite conclusion would occasion are too obvious to require illustration."

3. *Attempted Restrictions on Resale Prices and Use:*

The doctrine of the foregoing cases was restated and reapplied in *Bauer v. O'Donnell*, 229 U. S. 1 (1913); *Straus v. Victor Talking Machine Co.*, 243 U. S. 490 (1917); *Boston Store v. American Graphophone Co.*, 246 U. S. 8 (1918), and *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502 (1917), of which cases the three first named were concerned with the efficacy of attempted resale price restrictions and the fourth with attempted limitations on use. In each of these cases (considered more fully in Point II of this brief), the patent owner sought to accomplish, by the

device of "license notices" attached to patented articles after their sale, what this Court had refused to sanction in the earlier decisions we have just reviewed. Here, too, this Court, on the same principle which governed its decisions in those earlier cases, invalidated the devices as an attempt to project the patent monopoly beyond its rightful scope.

Thus, in passing upon attempted restrictions as to *resale prices* in *Bauer v. O'Donnell*, 229 U. S. 1, this Court held (p. 17):

"The right to vend conferred by the patent law has been exercised, and the added restriction is beyond the protection and purpose of the act. This being so, the case is brought within that line of cases in which this court from the beginning has held that *a patentee who has parted with a patented machine by passing title to a purchaser has placed the article beyond the limits of the monopoly secured by the patent act.*"

Some years later, this Court summarized its prior decision in *Bauer v. O'Donnell* in words strikingly apposite now, in the case of *Boston Store of Chicago v. American Graphophone Co.*, 246 U. S. 8, 23:

"In other words, the decision was that *a patentee could not use and exhaust the right to sell, as to which a monopoly was given him by the patent law, and yet by conditions and stipulations continue that law in effect so as to make it govern things which by his voluntary act were beyond its scope.* And . . . as a result, where an article has been sold and passed beyond the monopoly given by the patent law, remedies on the theory of infringement were not applicable to acts done which could not have that character"

In the same case, speaking of the rejection of attempted use restrictions in the *Motion Picture Patents* case, 243 U. S. 502, this Court continued (p. 25):

"Reiterating the ruling in the two last cases, (referring to *Bauer v. O'Donnell* and *Straus v. Victor Talking Machine Co.*) it was again decided that, as by virtue of the patent law, one who had sold a patented machine and received the price, and had thus placed the machine so sold beyond the confines of the patent law, could not by qualifying restrictions as to use, keep under the patent monopoly a subject to which the monopoly no longer applied."

Finally, in the case of *United States v. General Electric Company*, 272 U. S. 476 (1926), this Court said at page 489:

"It is well settled, as already said, that where a patentee makes the patented article and sells it, he can exercise no future control over what the purchaser may wish to do with the article after his purchase. It has passed beyond the scope of the patentee's rights."

Summary.

These decisions show a consistency in ruling which is outstanding in the respect that it has not been departed from or modified, regardless of the guise in which attempted restrictions have been presented.

The fundamental reason underlying all of the decisions appears to be the simple fact that this Court recognized and gave full effect to the fact that when the patented article was sold and the price paid, the article was forever outside the monopoly of the patent, and became, like any ordinary chattel,* owned by the purchaser, to be used or done with:

* *Dr. Miles Medical Co. v. Park & Sons*, 220 U. S. 373, citing with approval *Park & Sons-Hartman*, 153 Fed. 24, 39 in which it was held that "a covenant which may be valid and run with land will not run with or attach itself to a mere chattel". See, to the same effect, *Taddy v. Sterious*, L. R. (1904) 1 Ch. 354, 358; and *Barker v. Stickney* (1919), 1 K. B. 121, 132.

as he saw fit, without hindrance by or under the control of the patent owner.

Therefore, for each and every one of the reasons so clearly stated in the foregoing decisions of this Court, the attempted restriction in the present case should be as emphatically rejected and invalidated, and the decision of the Second Circuit Court of Appeals reversed, and the cause remanded to the District Court with instructions to dismiss the bill.

POINT II.

A patent owner, merely by a "License Notice" attached to a device made under the patent and sold in the ordinary channels of trade, cannot, by means of the patent, place an enforceable restriction on the purchaser thereof as to the use to which the purchaser may put the device.

A. Application of the Rule to "License Notice" cases.

When this Court, in its decisions from *Bloomer v. McQuewan*, 14 How. 539 to *Keeler v. Standard Folding Bed Co.*, 157 U. S. 659, construed the exercise of the right to vend under the patent law as granting to the purchaser of the patented article full title without permitting the patent owner to retain the incidents of it, patent owners renewed their battle to fasten control on patented articles after their sale, by the device of attaching "License Notices" to those articles, or by restrictive agreements with the purchasers. However, that method fared equally badly, for this Court with unfailing regularity brushed aside "the guise of license or otherwise" (*Boston Store v. American Graphophone Co.*, 246 U. S. 8, 24) and refused to hold such purchasers as infringers.

Some time before the "license notice" issue was presented to this Court in patent cases, it had decided against the practice in the closely analogous copyright cases of *Bobbs-Merrill v. Straus*, 210 U. S. 339 and *Scribners v. Straus*, 210 U. S. 352, in which resale price restrictions by "notice" on copyrighted books, after their sale, were held void. The use of such "license notices" on sold patented articles was termed "dangerous doctrine" by a former Assistant Commissioner of Patents,* who observed and warned against the material growth of such practice, and its occasional support in the lower Federal Courts before 1912. When the question did come before this Court the entire system of "license notice" restrictions sought to be attached to patented articles upon their sale, was finally repudiated in its entirety.

1. *Attempted "License Notice" Restrictions on Resale Prices.*

In *Bauer v. O'Donnell*, 229 U. S. 1, the first of the series of patent cases in which the issue was raised, a retail drug store proprietor was sued for patent infringement for having disregarded a notice on original Sanatogen packages he purchased, purporting to license their "sale or use at a price not less than one dollar". The notice also recited the purchase as constituting an acceptance of the condition, with right of reverter in the event of violation.

The case came up on certificate from the Court of Appeals of the District of Columbia and "the question presented restricted the case to determining whether the right to limit the price existed because within the monopoly granted by the patent law" (*Boston Store v. American*

* Walter H. Chamberlain in 6 Illinois Law Review 357 (January, 1912).

Graphophone, 246 U. S. 8, 22-23, interpreting the *Bauer* decision).

In deciding that no right under the patent law was involved, and that the purchaser was free to use the patented article at will, Mr. Justice DAY, writing for this Court, said (229 U. S. 1, 13):

"The sale of a patented article is not essentially different from the sale of a book. In each case to vend is to part with the thing for a consideration."

In reaching the conclusion that once the right to vend, conferred by the patent law, has been exercised, "the added restriction is beyond the protection and purpose of the act" (229 U. S. 1, 17), this Court expressly predicated its decision *inter alia*, on *Bloomer v. McQuewan*,* *Adams v. Burke*,† and *Keeler v. Standard Folding Bed Co.*,‡ thus bringing its decision precisely in line with the doctrine *fundamental* to all those cases, that once title to a patented article has passed to a purchaser, and the right to vend thus exhausted with respect thereto, the article has passed "beyond the limits of the monopoly secured by the patent act" (*Bauer v. O'Donnell*, 229 U. S. 17).

In *Straus v. Victor Talking Machine Co.*, 243 U. S. 490, this Court was next called upon to decide the legal effect of a "License Notice" affixed to a patented machine. The Victor Company manufactured phonographs and distributed them under "license contracts", reserving title to the machine until expiration of its patent and compliance with certain conditions appearing on a "License Notice". This license authorized dealers to convey a license to use the machine upon a minimum payment of \$200. The defendant

* 14 How. 539.

† 84 U. S. (17 Wall.) 453.

‡ 157 U. S. 659.

bought a quantity of the machines at less than the fixed price stated in the "License Notice". The Victor Company sought to enjoin this alleged infringement by preventing the defendant from selling them, presumably at lower prices.

This Court, in dismissing the bill for infringement, held the "Notice" invalid, and the full purport of its holding was later summarized in the following language in *Boston Store of Chicago v. American Graphophone Co.*, 246 U. S. 8, 24:

"Basing its action upon the substance of things, and disregarding mere forms of expression as to license, etc., the court held that the contract was obviously . . . not different from the one which had come under review in *Bauer v. O'Donnell*. Thus brushing away disguises resulting from forms of expression in the contract, and considering it in the light of the patent law, it was held that the attempt to regulate the future price or the future marketing of the patented article was not within the monopoly granted by the patent law . . ."

It is interesting to note that this Court, undeceived by the patentee's use of the word "license" to cloak what was really a sale, found that the facts involved an attempted price restriction on patented articles "after they have passed into the possession of dealers and of the public", and held:

"We conclude that it falls within the principle of *Adams v. Burke*, 17 Wall. 453, 456, and of *Bauer v. O'Donnell*, 229 U. S. 1."

Adams v. Burke, on the page indicated in the *Straus* opinion, holds that upon sale "the article, in the language of the Court, passes without the limit of the monopoly"

("the language of the Court" refers to *Bloomer v. McQuewan*, 14 How. 539). That, also, is the principle restated in *Bauer v. O'Donnell*. Price limitation was no issue in *Adams v. Burke*, or *Bloomer v. McQuewan*. The only principle common to the *Adams*, *Bloomer*, *Bauer*, and *Straus* cases is that a sale, whether with or without a license notice, takes the patented article out of the patent monopoly.

Thereafter, in *Boston Store of Chicago v. American Graphophone*, 246 U. S. 8, the "license notice" method which had failed of recognition in the *Bauer* and *Straus v. Victor* cases, was supplanted by written contracts between marketing agents of the patentee and purchasers of the patented articles whose resale prices were sought to be controlled thereby.

The District Court in that case conceded that a patentee

"cannot make a notice attached to the article discharge the function of a 'covenant running with the land'" (225 Fed. 785, 787).

but was misled by the contract device, and sustained the bill alleging patent infringement because of a violation of that agreement.

This Court, however, on a certificate from the Circuit Court of Appeals for the Seventh Circuit in that case, inquiring whether "the recited facts disclose that some right or privilege granted by the patent laws has been violated" answered in the negative and dismissed the bill. After reviewing its prior decisions invalidating restrictions sought to be imposed under the patent law on patented articles after their sale, this Court held (p. 25):

"Thus concluding, it becomes, we think unnecessary to do more than say that we are of opinion that the attempt in argument to distinguish the cases by the

assumption that they rested upon a mere question of the form of notice on the patented article, or the right to contract solely by reference to such notice, is devoid of merit, since the argument disregards the fundamental ground upon which, as we have seen, the decided cases must rest."

That "fundamental ground" of which this Court spoke, was that the monopoly of the patent cannot (p. 26):

"be extended beyond the scope of that law or, in other words, applied to articles after they have gone beyond its reach."

Indeed, so firmly did this Court deem that rule to be established that it expressly rejected any further attempts "judicially to correct doctrines which by reiterated decisions have become conclusively fixed" (p. 26).

2. Attempted "License Notice" Restrictions on Use.

The doctrines of the foregoing cases were again presented to this Court, but from a different aspect, in *Henry v. A. B. Dick Co.*, 224 U. S. 1, and *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502. In those cases renewed attempts were made by patent owners to control patented articles in the hands of purchasers, this time by "license notices" attached to the articles and purporting to restrict their use.

In the *Dick* case, by a four to three decision, such a notice, requiring the patentee's unpatented supplies to be used with the patented device, was held effective and its violation recognized as an infringement of the patent. That conclusion was arrived at by reasoning that if a patentee by virtue of his patent, could reserve all uses, he surely could restrict some on articles made and sold under the patent. The fallacy in that argument was, of course, that it failed

to recognize that rights with respect to all of the parts collectively, are not necessarily rights with respect to any isolated part. Therefore, though the right to make, vend or use could be reserved or granted in part, it could not follow a patented article into the hands of a *purchaser* as a restriction in the nature of "a license of the *use*", to quote from this Court's analysis of the *Dick* decision, in the *Boston Store* case (246 U. S. 8, 22).

This entire question was re-examined, however, and the *Dick* case was expressly overruled in the *Motion Picture Patents* case. There this Court had presented to it two closely analogous questions—(1) whether a patentee who licenses the manufacture and sale of the patented device can, by a mere notice attached to the article, limit the purchaser from such licensee to films which were not part of the patented machines, and (2) whether the patentee, by a mere notice so attached, can reserve conditions to be fixed in the future.

Both questions were answered in the negative by this Court. With respect to the "License Notice", it held (p. 509):

"The statutes relating to patents do not provide for any such notice and it can derive no aid from them".

This Court thereupon proceeded to hold that (p. 516):

" . . . it is not competent for the owner of a patent by notice attached to its machine to, in effect, extend the scope of its patent monopoly by restricting the use of it to materials necessary in its operation".

(To same effect, see the later case of *Carbice Corp. v. Amer. Patents Development Corp.*, 283 U. S. 27.)

In reaching this result, this Court held that the exclusive right to use is no greater than the exclusive right to vend a patented machine and that its previous decision in *Bauer v. O'Donnell* had interpreted the exercise of the right to vend, as freeing the article "of every restriction which the vendor may attempt to put upon it" (*Motion Picture Patents* case, 243 U. S. 502, 516).

Of course, there is no distinction in principle between attempting to restrict the materials to be used by an attached "License Notice", and attempting to restrict the use of the device itself. Both of the attempted restrictions consist of nothing more or less than attempts on the part of the patent owner to "extend the scope of its patent monopoly" in a manner neither contemplated nor permitted by the patent statutes.

The only distinction that exists between the decisions of this Court in the *Bauer*, *Straus*, *Boston Store* and *Motion Picture Patent* cases, on the one hand, and the case at bar, is in the character of the restrictions sought to be effected by the "License Notice" attached to the goods sold. Because of the fact that the Court of Appeals differentiates the cases in this fashion when there is and should be no distinction between them, renders it necessary for this Court to clarify the situation by a decisive holding (in accord with its decisions), that no valid restriction on the use of a patented article purchased from the patentee or his licensee, and the price paid therefor, can be effected by a mere "License Notice" attached to that article.

B. Extra-Judicial Comment on the extent of the Rule.

The force and extent of the rule, as established and applied in the foregoing cases, is fully reflected in the references to it made by leading writers on the law of patents.

Thus, Professor Williston has recently stated (5 Williston on Contracts, 1937, pp. 4630-31):

"* * * It seems, indeed, to have been suggested by the Supreme Court of the United States, that as to patented articles there is an inherent inconsistency in selling property and imposing a restriction on the buyer (citing the *Boston Store* case). This can only mean, however, that the patent laws give no protection to restrictive promises exacted from a *buyer* and that they must stand or fall under the common law as if the article was unpatented. * * * Certainly, this result cannot be achieved by mere notices on patented articles." (Citing the *Straus v. Victor, Motion Picture Patents* and *Carbice* cases.)

Professor Chafee, commenting on this Court's decision in those cases, also points out (41 Harvard Law Review 945, 1002):

"When the patented article is sold it appears to pass outside the scope of the patentee's monopoly in every respect. At least I find no satisfactory case to the contrary."

And, in Walker on Patents (1929), Vol. I, the rule is summarized in the following language (p. 425):

"But the purchaser of a patented apparatus from the owner of the patent thereon, acquires whatever right that patent covers, to use that apparatus in accordance therewith, even where it is capable of a different use, and *by such sale the apparatus is thereby rendered free of every restriction which the patentee may attempt to put upon it*". (Citing *Straus v. Victor Talking Machine Co.*, 243 U. S. 490; *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U. S. 502.)

C. The Court of Appeals erred in treating as "obiter" and "not necessarily controlling", the doctrine of this Court that under the patent law no future control by "license notice" or otherwise can be exercised over a patented article once it has been sold.

The Court of Appeals in the case at bar "suggests" that although this Court plainly said in the *Bauer, Straus* and *Boston Store* cases that it was deciding the issues there involved *solely under the patent law*, the real reason was a policy against resale price control (Vol. III, p. 1724). It rests that suggestion on a purported quotation from the *Boston Store* opinion, which we have been unable to find. However, what this Court did say there was that the particular contract "disclosed in the certificate" in the *Boston Store* case (246 U. S. 8, 25), was also void under the general law as in restraint of trade (*Dr. Miles Medical Co. v. Park & Sons*, 220 U. S. 373), and that it was incapable of being made good by resort to the patent law "under the guise of a patent infringement".

To be sure, public policy at common law prohibits resale price restrictions on the sale of chattels in the ordinary course of trade, but it does not follow, when such restrictions are sought to be enforced in the form of an infringement suit simply because the articles were made and sold under a patent, that the only reason they are held void is because of public policy. They are held bad under the *patent law* for the simple reason that no restrictions on patented articles after their sale have ever been recognized by this Court (except in the *Dick* case, which was overruled by the *Motion Picture Patents* decision). *A fortiori*, restrictions inherently invalid under the general law, will surely find no protection under the patent statute on any theory.

The vice in the holding of the Court of Appeals below becomes ever more apparent when it is recalled that where the free movement of chattels in the hands of purchasers in the ordinary channels of commerce is not involved, price restrictions have always been held *good* under the patent law. Thus, in cases involving *simple licenses* to make, use or vend, where the mutual rights of patentee and licensee are considered, as distinguished from transactions constituting *sales* of patented articles, the patent law permits the imposition of all manner of restrictions not in themselves illegal or violative of some special statute (*United States v. United Shoe Machinery Co.*, 258 U. S. 451; *Patterson v. Kentucky*, 97 U. S. 501). This Court has, therefore, recognized price and other restrictions *as between a patentee and his licensee*, where the license was a true one, and not a subterfuge for a sale (*Bement v. National Harrow Co.*, 186 U. S. 70; *United States v. United Shoe Machinery Co.*, 247 U. S. 32; *United States v. General Electric Co.*, 272 U. S. 476).

Hence, in the *Bement* case, price fixing restrictions were held valid in a contract between a patentee and its manufacturing licensee, even against the Sherman Act, a rule of decision followed in the first *Shoe Machinery* case (247 U. S. 32). This Court in the last named case recognized the distinction to be drawn between grants of parts of a patent monopoly, such as a *license*, on the one hand, and *sales* of patented articles on the other, when it held that the patentee (p. 58):

" . . . has the power of granting it (his invention) to some and withholding it from others, a right of selection of persons and of terms. There is, however, a limitation upon him; he cannot grant the title and retain the incidents of it." (Matter in parenthesis ours.)

In the *General Electric* case, this Court, distinguishing between agencies to sell and actual sales of patented articles, held that agreements by the *General Electric Co.* with its licensee "as to the prices at which the latter shall sell articles he makes * * * are valid". In other words, if a patentee grants a license to make and sell, he may require the licensee to "limit the selling by limiting the method of sale and the price". However, he can place no such restriction upon one who has purchased the patented article from the licensee (272 U. S. 476, 490). Thus, this Court held (p. 485):

"As long as he (the patent owner) makes no effort to fasten upon ownership of the articles he sells control of the prices at which his purchaser shall sell, it makes no difference how widespread his monopoly." (Matter in parenthesis ours.)

To summarize, it is obvious, then, that when this Court in *Bauer v. O'Donnell*, 229 U. S. 1, held resale price restrictions invalid on patented articles which had been sold, it was simply because the patent law * permits no restrictions on patented articles after their sale. If public policy were the test, then the price fixing restrictions upheld in the *Bement* and *General Electric* cases (*supra*) should have been invalidated. Such restrictions were held good, however, in those cases simply because this Court there had to deal solely with the enforceability of license agreements as distinguished from sales. Recently, in *Old Dearborn Distributing Co. v. Seagram Distillers Corporation*, 299 U. S. 183, in upholding the Illinois Fair Trade Practice Law, this Court again stated that in the *Boston Store* and *Bauer* cases it had invalidated attempted restrictions on patented articles that had passed by sale into the ordinary channels

* See Rev. St., Sec. 4884, reproduced in full, Appendix, p. 70.

of trade simply because the patent law afforded no basis for upholding any such restrictions and that resort must be had to an amendment of the law to accomplish any such purpose.

So, also, the Court of Appeals below erred in holding that public policy alone moved this Court to declare invalid the "license notice" restrictions in the *Motion Picture Patents* case, 243 U. S. 502. Public interest was indeed one of the *two* reasons stated, but the other was that the purported restriction was "plainly void, because wholly without the scope and purpose of our patent laws" (p. 519).

D. Respondents' contentions as to the "scope" of the license of their vending licensee.

Respondents asserted in the Courts below, and the Court of Appeals agreed, that the sales of the patented amplifiers to petitioner, though by one licensed to make and sell, was beyond the "scope" of the license and therefore an infringement of the patent just as though a license had never existed. It requires but little discussion to establish the want of merit in this contention.

In the first place the fact that the licensee undeniedly had the right to *sell* is a complete answer. It is equally true that to each amplifier made and sold by it to petitioner, there was attached a "license notice" precisely as set forth in its license agreement with respondents. If the licensee, in exercising his right to sell, is claimed, nevertheless to have breached some express covenant in his license agreement, the remedy—and the only remedy—of the licensor lay in a suit against the licensee because of the breach. No cause of action—and certainly not one under the patent law—would lie against the purchaser. This was expressly held in *Mitchell v. Hawley*, 11 Fed. Cas. 883, 885 (affirmed by this

Court in 16 Wall. 544). There the Circuit Court, in passing upon a license to make and use, said—

“He (the licensee, Bayley) never acquired the right to sell a single machine . . . Had he . . . possessed the power to sell the patented machines, the purchaser would have acquired a title which would have been outside of the monopoly, and would have acquired the absolute right to use the machines during the extended term; *and this notwithstanding any covenants Bayley might have made not to convey such a title.* Under such circumstances the patentee must have sought his remedy against Bayley on his covenants.” (Matter in parenthesis ours.)

Nor is respondents' contention strengthened by the attachment of the “license notice” to the amplifiers sold by their licensee, as has been established by the prior decisions of this Court hereinabove discussed. Restrictions sought to be imposed by a “license notice” attached to the article when sold have been emphatically rejected and decisively invalidated as an unwarranted attempt to extend the monopoly of the patent to articles made and sold thereunder that have passed beyond its reach into the hands of purchasers. Surely, it cannot be seriously or successfully urged that what the patentee himself cannot do, he can nevertheless accomplish through the medium of a licensee empowered to make and sell the article with such “license notice” attached.

At common law the passage of title to chattels in the ordinary channels of trade is generally held to be incompatible with continued control over them by the seller (*Taddy v. Sterious L. R.* (1904) 1 Ch. 354, 358). The rule is not different because the manufacturer of the article chose to sell it through an agent or jobber with instructions

to attach, by label or notice, limitations on its use or resale (*Dr. Miles Medical Co. v. Park & Sons*, 220 U. S. 373). In the *Dr. Miles* case, this Court held (p. 408):

"It is an article of commerce and the rules concerning the freedom of trade must be held to apply to it."

Likewise, respondents' argument is not strengthened by the fact that in the present case the manufacturing licensee knew that the amplifiers it sold to petitioner were to be used in the motion picture industry. If, under the patent law, license notice restrictions are invalid as against purchasers of patented articles, as repeatedly held by this Court, then surely knowledge that the articles were to be used for the purposes allegedly reserved by the notice or outside of the alleged scope of the right of the seller, would not make any difference, and this Court has expressly so held (*Hobbie v. Jennison*, 149 U. S. 355).

Moreover, as would be expected, respondents' contention that the sales of the patented articles by the licensed manufacturer were beyond the alleged scope of the license to make and sell because of the fact that the articles were used in a field other than as specified by the license agreement with its manufacturing licensee as well as by the "license notice", is the same contention that has been made by the patent owner, so far as we have observed, in every case cited in this brief where sales of patented articles were made by one vested with a power of sale.

Indeed, it is quite obvious that the question involving the legality of an attempted restriction on a patented article after it has been sold, and the price paid therefor, could not have arisen under the charge of infringement unless the defendant in each of those cases had, according to the patent

owner's argument, at least, stood in the shoes of an infringer who was not vested with the immunity from suit incident to a license.

Thus, in *Adams v. Burke*, 84 U. S. (17 Wall.) 453, Burke knew of his vendor's restricted right to sell and use and yet receive by purchase the right to use the patented article beyond the territorial limits of his vendor. In fact, the dissenting Justices in that case stood precisely on the argument here made by respondents, when they stated (pp. 458-459, 460):

"If it be contended that the right of vending the lids to others enables them to confer upon their vendees the right to use the lids thus sold outside of the limited district, the question at once arises, how can they confer upon their vendees a right which they cannot exercise themselves? * * * In my judgment it was limited in locality, both as to manufacture and use, and that he could not convey to another what he did not have himself."

In *Hobbie v. Jennison*, 149 U. S. 355, the territorial assignee of a patent right *deliberately* sold the patented article made thereunder, for use in the territory of another assignee, so that the purchaser received that which the vendor did not himself possess. This Court there expressly held (p. 363):

"that neither the actual use of the pipes in Connecticut, or a knowledge on the part of the defendant that they were intended to be used there, can make him liable."

And, in *Keeler v. Standard Folding Bed Co.*, 157 U. S. 659, there was established the right of the purchaser to sell outside of his vendor's territory even though the vendor could not do so himself.



Similarly, the same contentions were made with respect to attempted restrictions as to resale price (*e. g.*, *Straus v. Victor*, 243 U. S. 490) where the resale price was specified by the license, and sales were made of the patented device at prices less than those specified. The sales were charged to constitute "infringement" of the patent and the seller was charged to be an infringer as though no license ever existed.

Finally, in the *Motion Picture Patents* case, 243 U. S. 502, closely analogous to the present situation both as to subject matter and facts, where, too, the licensee to manufacture and sell was required to affix "license notices" to the machines it sold purporting to limit their use in the hands of purchasers, this Court held that the purchaser took free of the attempted restrictions and was not an infringer. It thereby disposed of the contention there made that his purchase was not a *licensed* act, or that the terms of the license had been exceeded by an allegedly unauthorized sale. In pointing out that the patent law has no application to cases of that character this Court further held (p. 509):

"The extent to which the *use* of the patented machine may validly be restricted to specific supplies or otherwise by special contract between the owner of a patent and the purchaser or licensee is a question *outside the patent law* and with it we are not here concerned."

In the end, therefore, it nevertheless remains true that though a *licensee* may be restricted to *use* the invention of an article in a special field, or for a particular purpose (*Rubber Co. v. Goodyear*, 9 Wall. 788),—*once sold*, either by the patentee or by a licensee to make and sell, that same article can be used for any purpose (*Washing Machine Co. v. Earle*, 29 Fed. Cases No. 17219; p. 332).

In the last cited case the Circuit Court held (p. 334):

"Any covenant between them and him (patentee and licensee) that they will not manufacture certain articles, may be valid as between the parties, but it does not run with the rubber, like a covenant on land.

If his licensees do not perform their agreements, his remedy is by action against them on his covenants, and not by recourse to a chancellor to restrain third persons who have purchased vulcanized rubber from his licensees from using it, when it is theirs, for any purpose they please." (Matter in parenthesis ours.)

Summary.

It is submitted that it is an inescapable conclusion in view of the uniform trend of the decisions of this Court hereinabove analyzed, as well as the express holdings thereof, that the attempted restriction on petitioner's use of the amplifiers it purchased from respondents' licensee, American Transformer Company is invalid and unenforceable, and that petitioner, in so purchasing the said amplifiers from a manufacturer duly licensed under the patents in suit to make and sell them, acquired the right to use the amplifiers for any purpose within their capability of use, free from any further monopoly of the patents under which they were made and sold. In consequence, and regardless of all other phases of this case, petitioner has not infringed the patents in suit.

POINT III.

The acceptance and retention by respondents' authorized agent, until long after the suit was instituted, of the royalties paid by the licensed manufacturer of the alleged infringing device, is a bar under the principles of ratification and estoppel, to the maintenance of the suit.

The bill in this case was filed in September, 1929, and issue was joined in August, 1931 (Vol. I, fols. 42; 1578).

From February in 1929 until July of 1931 (one month before the expiration by its terms of the license to make and sell which Radio Corporation of America, and respondent patent owner had granted to the American Transformer Co.), the licensee sold to petitioner hundreds of the amplifiers in suit, for full consideration, and paid the fixed royalties thereon to Radio Corporation of America, in its managerial representation of respondents (Vol. I, p. 474, fols. 1420-1421; Vol. III, pp. 1568-1614).

Pursuant to the terms of this license agreement (Deft's. Exh. E, Vol. III, pp. 1414-1423), all sales made thereunder were required to be reported quarterly to the Radio Corporation of America as co-licensor, and access was agreed to be given to the licensors during all business hours to inspect the books of account of the licensee (fols. 4250-4253).

From February to October of 1929 respondents must therefore clearly be deemed to have had knowledge of the sales of the amplifiers to petitioner, and of the royalties regularly paid thereon by the licensee, even though the quarterly reports to the Radio Corporation of America setting forth the number of amplifiers sold were not required

to and did not set forth the names of the purchasers. However, commencing with December 7th, 1929, and running through to July of 1931, the quarterly reports of the licensee showed each sale made to petitioner, the purchase price paid thereon and the royalties therefor transmitted to the licensors (Vol. III, pp. 1568-1614).

Nevertheless, despite the foregoing detailed reports of sales to petitioner, no offer to refund the royalties was ever made until December 18th, 1930, *more than one year after the commencement of this suit* (Vol. II, p. 1216). Moreover, and beyond December, 1930, continuing into July of 1931, sales of the amplifiers in question were continued to be made freely to petitioner, by the licensee with full knowledge by all the parties of petitioner's use and without any protest by respondents (Vol. I, p. 468, Vol. III, pp. 1634-1614). Nor was the licensee ever sued for alleged violation of its license in selling to the petitioner or was its license ever cancelled (Vol. I, pp. 344, 349).

The District Court, in the case at bar, seemed to have been of the opinion that these facts with respect to receipt of royalties after suit commenced, would make out a good case for supplemental pleading (Vol. III, pp. 1645-1646, fols. 4935-4936). The Court of Appeals held that the receipt of royalties from the licensee after suit had been commenced would not bar the patentee from prosecuting the action (Vol. III, pp. 1724-1725).

The conclusion is inescapable, however, that respondents' conduct was not of that nature or quality that should appeal to a court of equity and that by such retention of royalties respondents should be barred from obtaining any relief under their bill (*Dickerson v. Colgrove*, 100 U. S. 578, 580-81).

This case, moreover, comes squarely within *Brant v. Virginia Coal & Iron Co.*, 93 U. S. 326, where this Court held (p. 336):

*"There are undoubtedly cases where a party may be concluded from asserting his original rights to property in consequence of his acts or conduct, in which the presence of fraud, actual or constructive, is wanting; as * * * where one has received the fruits of a transaction he is not permitted to deny its validity whilst retaining its benefits."*

Legal preclusion by acceptance of benefits is not dependent on the ordinary principles of estoppel alone. There need be no reliance upon the acts of the party who accepts the benefits. There need be no inferring of consent or actual consent. Acceptance of benefits, is, in reality, ratification, the equivalent of an express contract. The right of petitioner here to invoke that principle arises simply because respondents and their co-licensor the Radio Corporation of America have deliberately and knowingly received the benefits of the transaction arising out of the sale of the amplifiers to petitioner by accepting and retaining for more than a year after suit the royalties paid by their licensee on those sales to petitioner. And, it need hardly be said, a return of the royalties to the licensee after the expiration of that long interval cannot wipe the slate clean.

In *Wilson v. Union Electric Light & Power Co.*, 59 Fed. (2d) 580 (C. C. A. 8), it was said that the true principle is that a litigant will not be heard to impugn the validity of a proceeding from which, to a substantial degree, he has voluntarily accepted the benefits, no matter in what stage of maturity the proceeding may be. This was said with reference to a judicial proceeding.

The Court, in *Hector v. Mann*, 225 Mo. 228; 124 S. W. 1109, speaking to the point, said (p. 247):

"In no case we can find, breaking on the exact point, was any stress laid upon the fact that the party invoking this particular form of estoppel, need know at the outset of the act of affirmance or change his position on the strength of it in order to make it effective as a defense."

Summary.

It is submitted that respondents' conduct as hereinabove outlined is not at all such as to commend it to a court of equity. The retention of royalties for so long a time after suit was brought, with full knowledge during that entire period of the use to which petitioners put the amplifiers; the failure of respondents ever to protest against the sales of those amplifiers; permitting the license to run its full term without suit against the licensee for an alleged breach and without even a threat of cancellation:—all this must lead to the conclusion that by their deliberate acts respondents must be deemed to have acquiesced in and to have ratified the acts complained of and to have waived any claim of infringement based thereon.

POINT IV.

An inventor who has filed an application for patent showing and describing, but not claiming, certain inventions cannot obtain a valid patent for said inventions by voluntarily filing a "divisional" or "continuation" application for said unclaimed inventions more than two years subsequent to public use of the said unclaimed inventions by him or his assignee or licensee.

This matter is based upon the fact that it has been indisputably proven by the respondents' own witnesses that the

transcontinental telephone lines, employing the inventions of all of the patents in suit, were opened to commercial traffic by the public in January, 1915, with much public acclaim and attention thereto, and have been continuously used since that time in public commercial operations with all of the said inventions (Rec. p. 95, beginning at fol. 285, to Rec. p. 104, inclusive. Note particularly fols. 285, 287, 302, 303, 304, 305, and 312.) Thus, respondents' witness Kendall, one of the engineers of the Telephone Company who was personally familiar with the initial installation, the equipment, and the operation of the transcontinental line, said (Rec. p. 102, fol. 305):

"I am familiar, in general, with the subject matter of the eight patents in suit. I know, in a general way, what the invention is of each of these patents. I think that the subject matter of each of these patents has been used by the Telephone Company in its telephone lines commercially since at least as early as September, 1915. And, I think, they have been used continuously since that time. They have been used in the ordinary commercial business of the Telephone Company in transmitting messages for pay between the distant stations since September 1915."

However, the four Arnold patents issued on applications filed more than two years subsequent to this commercial use, and, in consequence, Section 4886 R. S. constitutes a statutory bar to their validity. Respondents have offered no evidence to form a basis of any explanation or excuse for filing the applications more than two years after their commercial use of the inventions.

The patents to which this defense is applicable are as follows:

1. Arnold Patent 1,329,283.

This patent issued on January 27, 1920, on an application filed July 30, 1918—*three years and six months after respondents' commercial use.*

The invention claimed by the claims in suit (claims 7, 10 and 13) are directed to so spacing the internal electrodes of the tube that the internal impedance of the tube is of the same order as that of the output circuit to which the tube is connected.

The patent purports to be a "continuation in part" of two earlier applications (Serial No. 841,567 and 841,568, both filed on May 28, 1914). Concededly, only the second of these two applications is pertinent to our inquiry. That application matured as patent 1,129,942 on March 2, 1915, and its file history is reproduced in Volume II of the record, beginning at page 1103. On its face, therefore, the patent in suit purports to be for subject matter disclosed "in part" in a patent which was issued in March, 1915, *but the application for the patent in suit was not applied for until July 30, 1918—more than three years thereafter.*

2. Arnold Patent 1,403,475.

This patent issued on January 17, 1922, on an application filed November 11, 1920—*five years and ten months subsequent to respondents' commercial use.*

Claims 8, 9 and 10 of this patent are here involved. In simple language, the invention claimed thereby consists of connecting the input electrodes of an audion across the terminals of a resistance to which the signal current to be passed through the audion is to be supplied, and including a condenser in the shunt connection thus made.

This patent resulted from a division of application Serial No. 48,873, filed on September 3, 1915. The original

application has since matured as patent 1,504,537, which was declared to be invalid in *Western Electric v. Wallerstein*, 51 Fed. (2d) 529 C. C. A.

The file history of the original application is reproduced in Volume II of the record, beginning at page 991.

3. Arnold Patent 1,448,550.

This patent issued on March 13, 1923, on an application filed February 3, 1919—*four years and one month subsequent to respondents' commercial use.*

The claims in suit of this patent (claims 1 and 12) are directed to the combination of a three-electrode audion, an inductive coil conductively connected to the input electrodes of the audion, with a conductive impedance in shunt to the coil.

The patent purports to be "a continuation in part" of an application Serial No. 59,210, filed November 2, 1915 (the file history of which will be found in Volume II of the record, beginning at page 1120), and of application Serial No. 48,873 (viz., the same original application which resulted in patent 1,504,537, which, as above noted, was invalidated in the *Wallerstein* case, *supra*).

4. Arnold Patent 1,465,332.

This patent issued on April 21, 1923, on an application filed August 28, 1920—*five years and seven months subsequent to respondents' commercial use.*

Claims 1, 3, 5, 8, 10 and 11 of the patent are here in suit, and the invention claimed thereby may be summed up as the utilization of a common source of current to serve as the "B" or plate current supply for two or more audion tubes.

This patent, likewise, had its origin in the original application Serial No. 48,873, which matured into patent 1,504,537 which was invalidated in the *Wallerstein* case. However, there was an intervening divisional application, namely, Serial No. 285,857, filed March 28, 1919, *four years subsequent to respondents' commercial use*; and which intervening divisional application matured into patent 1,520,994, involved in this suit, and which was held by the Courts below to be invalid. The file wrapper of the intervening application is reproduced in Volume II of the record, beginning on page 961. For the purpose of our consideration, we can ignore the intervening application because it was filed more than two years subsequent to respondents' commercial use. Unless the subject matter claimed by the patent in suit was claimed in the original application (Serial No. 48,873) respondents commercial use more than two years prior to the application for the patent in suit inevitably constitutes a statutory bar to its validity.

Summary and the Law.

We have given, in connection with each of the Arnold patents, the page reference in Volume II of the record where the file history of the original applications from which the applications for the patents in suit were divided or of which they purport to be a "continuation in part". We have also given a brief synopsis of the subject matter of the claims in suit of the respective patents under consideration. Based thereon, we assert without fear of successful contradiction:

(a) In no original or parent application was there claim made to the subject matter forming the claims of any of the patents in suit.

(b) In no instance was there a requirement by the Patent Office to file any divisional, supplemental or continuing application. In other words, the filing of the application for each patent in suit as a "divisional" application or as a "continuation" was the voluntary act of the patentee, and was not predicated on any invention claimed in the original case from which it purports to be either a division or a continuation.

(c) All of the claims contained in the parent or original applications which were cancelled by the applicant during their prosecution were so cancelled, because of their rejection by the Patent Office on the merits of their subject matter, without reservation of any kind or nature whatsoever on the part of the applicant.

(d) Three of the four above enumerated patents in suit involved in this defense (Nos. 1,403,475, 1,448,550, and 1,465,332) had their origin in an original application which matured in patent 1,504,537, which was held to be invalid in the *Wallerstein* case.

On the foregoing facts, it is quite obvious that all four of the Arnold patents in suit are invalid because they were issued on applications which were filed more than two years subsequent to the admitted public and commercial use by respondents.

Chapman v. Wintroath, 252 U. S. 126; *Webster Electric v. Splitdorf*, 264 U. S. 463; *Westinghouse Electric v. Jeffrey-DeWitt Insulator Co.*, 22 Fed. (2) 277 C. C. A. 2nd; *Otis Elevator Co. v. Atlantic Elevator Co.*, 47 Fed. (2) 545, C. C. A. 2nd; *Crown Cork & Seal Co. v. Ferdinand Gutmann*, 86 Fed. (2) 698, C. C. A. 2nd.

Under Section 4886 of the Revised Statutes,* a valid patent may issue to an inventor only if the claimed invention was:

“not in public use or on sale in this country for more than two years prior to his application * * *.”

We are not here concerned with whether or not the term “his application” refers to the *parent* application or to a divisional application, because it obviously refers to the application for patent *for the invention in question*, and it has at no time been disputed by respondents that the first time claim was made for the inventions forming the subject matter of the patents in suit was when the alleged “divisional” or “continuation” applications were filed.

The language of the statute is clear and unambiguous, and it expressly precludes the validity of patent claims made more than two years subsequent to “public use” or “sale” of the claimed invention. Obviously, therefore, if the claim as contained in the patent as issued, was, as undisputedly is the case here first made in an application for patent filed more than two years subsequent to the public use of the invention as claimed, the patent was improvidently granted and is invalid under the statute regardless of whether it be called a “divisional” or “continuation” patent, or by some other arbitrary or fanciful name.

This has been specifically held in *Westinghouse Elec. & Mfg. Co. v. Jeffrey-DeWitt Insulator Co.*, *supra*. In that case the Court said (at p. 279):

“Moreover, there is a statutory bar (section 4886, Rev. Stat. [35 U. S. C. A. Para. 31; Comp. St. Para. 9430]) which prevents the appellant from succeeding, for there was a sale of the invention more

* Reproduced in full, Appendix, p. 70.

than two years prior to the filing of the application upon which the patent was granted. This invalidates the patent. The patent being a division of an earlier parent patent, the courts have held that in the absence of laches, or estoppel of intervening rights, the rights under a divisional patent relate back to the date of the filing of the original application, and are in no way affected by an intervening bar; this, upon the theory that there could be no estoppel short of actual proof of abandonment. But recent cases in the Supreme Court have modified that rule. *Chapman v. Wintroath*, 252 U. S. 126, 40 S. Ct. 234, 64 L. Ed. 491, and *Webster Electric Co. v. Splitdorf Co.*, 264 U. S. 463, 44 S. Ct. 342, 68 L. Ed. 792. * * *

Since it has been clearly established that the sale was made two years prior to the filing of the divisional application, and no excuse given for such delay, the patent must be held to be invalid by reason of section 4886 of the Revised Statutes."

Of course, there is no distinction, under the statute, between a prior "sale", considered by the Court in the foregoing case, and a prior "public use" in the case at bar.

In *Webster Electric Co. v. Splitdorf*, referred to in the above decision, this Court, after discussing its previous decision in *Chapman v. Winthroath* (likewise referred to), said:

"Our conclusion, therefore, is that in cases involving laches, equitable estoppel or intervening private or public rights, *the two-year time limit prima facie applies to divisional applications*, and can only be avoided by proof of special circumstances justifying a longer delay. In other words, we follow in that respect the analogy furnished by the patent reissue cases" (p. 471).

We particularly call attention to the fact that in the *Webster* case this Court specifically included "public"

rights and "private" rights. This becomes a matter of importance in view of the fact that in several instances since that decision attempt has been made to differentiate from the *Westinghouse* case by limiting the availability of the statutory bar to one who has "private" rights of an intervening nature. Not only is such attempted differentiation contrary to the plain purport of the language in the *Westinghouse* case and the express language of this Court in the *Webster* case, but any doubts that may remain with respect thereto have been swept aside by the more recent decision of the Court of Appeals in *Otis Elevator Co. v. Atlantic Elevator Co.*, 47 Fed. (2d) 545, at page 550, to the effect that:

"an infringer may vicariously avail himself of *any* intervening rights",

and that:

"when the time has been longer, (than two years) it is not necessary in order to avail of intervening rights that they should be those of the infringer." (Matter in parenthesis ours.)

This case was one involving a reissue patent, as distinguished from a divisional application, but the decision of this Court in the *Webster* case expressly settled (as quoted above) that the same principle of laches, equitable estoppel, intervening private or public rights, such as are present in the application of the reissue statute, "applies to divisional applications" as well.

The most recent decision on this subject is that of the Second Circuit Court of Appeals in *Crown Cork & Seal Co. v. Ferdinand Gutmann & Co.*, 86 Fed. (2d) 698 (here on certiorari), wherein the Court said (p. 702):

"As we have previously shown, Warth's patents Nos. 1,788,260 and Reissue 19,117 contained no claims

broad enough to cover pre-heating. Hence there was no claim for the pre-heating method on file in the Patent Office from December 3, 1930; until April 4, 1933, when Warth applied by his second divisional application for the pre-heating patent. The disclosure, however, had been continuously on file since January 7, 1927; and so plaintiff contends that it is entitled to that filing date. We do not so understand the law as laid down in *Webster v. Splitdorf*, 264 U. S. 463, 471; 44 S. Ct. 342, 344; 68 L. Ed. 792."

The facts in the present case are fully analogous to those in the *Crown Cork & Seal* case. An examination of the file histories of the parent or original applications in which each of the patents in suit had their origin reveals that not only was there no claim directed to the subject matter of each of the patents in suit at the time their respective applications were filed, but that no claim had ever been made for that subject matter, either specifically or broadly.

Although, as above pointed out, the Court of Appeals below had held that the provisions of Section 4886 of the Revised Statutes constituted a statutory bar to the validity of a patent issued on a divisional application filed more than two years subsequent to *the use and sale by an alleged infringer* (in the *Westinghouse* case, *supra*), or by *publication by a third party* (in the *Crown Cork & Seal* case, *supra*) it held in the present case that *the statute is not applicable to the patentee, or his assignee or licensee*.

This, we submit, constitutes fundamental error because it is believed to be self-evident that the statute draws no distinction whatever between the patentee or his assignee and any other member of the public. And no distinction in fact or in reason exists. Apparently the Court of Appeals lost sight of the intervening *public rights* to which this Court

specifically referred in the *Webster* case, and petitioner, as a member of the public, was entitled to exercise those rights without hindrance from respondents by means of the obviously invalid patents, the applications for which were deferred, without excuse or explanation, for from three to nearly six years subsequent to the widely publicized commercial use of the inventions claimed thereby.

We are not unmindful of the fact that the Court of Appeals in its opinion (Vol. III, p. 1722) implies, through the medium of a quotation of its decision in the *Crown Cork & Seal* case, that the parent or original Arnold application, throughout the intervening years (between the public use of the inventions, and the divisional or continuation applications for patent therefor) contained "broader claims" the allowance of which was being solicited. Even if this fact were relevant (and we submit it is not) there is no factual support for the inference, *and no assertion to that effect has ever been made by respondents in the Courts below, either in the record, the briefs, or in oral argument.* Indeed, it cannot be made, for as a matter of fact it cannot be supported by the record in this case.

Obviously, therefore, the opinion of the Court of Appeals below in the present case establishes an erroneous precedent, not only wholly inconsistent in attempted differentiation with prior decisions on the same issue by the same Court, but likewise wholly inconsistent with and contrary to the plain purport and intent of the statute involved.

On this phase of the case, therefore, the Court of Appeals below should be reversed, and the four Arnold patents in suit declared invalid.

POINT V.

Each of the patents in suit is invalid because of complete anticipation by or want of invention over the prior patented art.

Under this heading each of the six patents with which this appeal is involved will be treated separately.

Arnold Patent No. 1,329,283 (Vol. II, p. 626).

The patent is identified as the so-called "power circuit" patent. Claims 7, 10 and 13 are here relied upon.

The object of the invention, as stated by the patent, is

"to provide a structure by which certain desired characteristics of the amplifier may be secured at will and in an efficient manner" (p. 1, line 12).

How this object is attained is next stated in the following language:

"This object is accomplished by proportioning the geometrical and electrical relations of the various elements of the device in a manner more fully explained later in the specification."

In essence, the ensuing explanation may be summed up in the statement that by changing the geometry of the tube, *e. g.*, the spacial relation between the plate and grid electrodes, different electrical characteristics result.

Referring to claim 7 specifically, the invention is stated to be in combination with an ordinary audion tube having cathode (filament), anode (plate) and control (grid) elements, an input circuit (connected between the grid and

filament electrodes) and an outgoing circuit having impedance and connected to the anode and cathode—

“said cathode, anode, and control element being so spaced that the impedance of said discharge device (audion) between said anode and said cathode is of the same order as that of said outgoing circuit”.

In other words, the essence of the claim is to match the impedance of the plate-filament or output circuit with the internal impedance of the tube so as to have them at the same, or at substantially the same, value.

Claim 10 brings into the combination a still further geometrical limitation, namely, that the grid is made of “coarse mesh”. Claim 15 differs from claim 7 merely in defining the output (plate-filament) circuit of the tube as a “work” circuit.

From the foregoing it will be seen, therefore, that, simply stated, this patent is directed to matching the internal impedance of the tube with the impedance in the plate circuit external thereto, and that this is done by varying the *geometry* of the tube in such particulars as spacial relation of the electrodes, and the size or material of which they are made, etc.

First addressing ourselves to the question of whether or not any invention is disclosed in the patent, the desirability, if not the absolute necessity, of matching the impedance in telephone lines, and particularly of matching the internal impedance of an amplifier with the impedance of the output circuit therefrom, has been recognized since the earliest days of electrical communication. Likewise, it has always been known that the impedance of any instrumentality varies according to its geometrical construction (see for example Pierce's testimony, R. pp. 595, 596). In the

earliest days of radio telephony it was recognized that the impedance (in this instance resistance) of the microphone should be equal to the impedance of the rest of the system (see Seibt No. 1,012,456—Vol. III, p. 1438). However, aside from any question of whether or not invention was involved in merely applying this knowledge to a new *type* of device, viz.: an audion tube, Arnold made a full disclosure of the invention in his prior patent No. 1,129,943 (Rec. p. 1459), which he issued on March 2, 1915. What he disclosed in that patent and did not claim he abandoned, and he cannot reclaim what he has abandoned by an application for patent filed, as was the present one, on July 30, 1918, *more than three years subsequent to the issuance of his earlier patent.*

Moreover, Arnold was not the first one to even suggest applying the well known law of matched impedances to an audion or vacuum tube device. Colpitts, one of Arnold's associates, made a full disclosure in his patent No. 1,129,959 of March 2, 1915 (application filed April 6, 1914—Rec. p. 1463). Colpitts stated in his specification (p. 1, line 19):

"A well known law of electric circuits requires that the impedance of the external path in the circuit should be equal to the impedance of the internal path or source whenever the maximum of available energy is desired,"

and he proceeded to describe in his specification just how that was to be effected in a vacuum tube device.

Likewise, Langmuir of the General Electric Company in his patent No. 1,558,436, granted October 20, 1925, on an application filed October 16, 1913 (Rec. p. 1550), pointed out (p. 3, line 8 *et seq.*) that the geometric proportions of the audion tube affected the amount of current which will pass with a given voltage. (This patent, known as the high vacuum tube patent, because of its early date, was repre-

sented to be a "pioneer" in the art, and was held by the Supreme Court to be invalid for anticipation, want of invention, prior invention, and prior public use in *De Forest Radio Co. v. General Electric Co.*, 283 U. S. 664.)

Thus it will be seen that the most that can be said for the Arnold patent is that it endeavored to cover the application to an audion amplifier (as distinguished from other amplifiers theretofore used) of the well known law of matched impedances in amplifying circuits, when the desirability or absolute necessity thereof had always existed, been recognized, and been availed of. Arnold was not the first to do this. He had been preceded by Colpitts, and Arnold himself had made a complete disclosure of the invention which was published in the form of a patent more than two years prior to his application for the patent in suit. Obviously, therefore, the patent is invalid.

Arnold Patent No. 1,403,475 (Vol. II, p. 635).

The patent is identified as the "resistance-capacity coupling" patent. Only claims 8, 9 and 10 are involved in this suit. These claims are directed to a combination comprising: (1) a resistance; (2) means for producing potential variations across the resistance (the incoming signal current derived from a preceding audion, for example); (3) a vacuum tube having input electrodes (grid and filament); (4) connections for impressing the variations on the electrodes (the grid and filament electrodes of the audion are connected to the terminals of the resistance) and (5) said connections comprising a series condenser.

In simple language, therefore, the claimed invention of this patent consists of connecting the input electrodes of an audion across the terminals of a resistance to which the signal current to be passed through the audion is supplied, and including a condenser in the connection.

The other two claims, in varying language, are both directed to this same thought.

Here, again, the claimed invention of the patent is disclosed in a prior patent to the same inventor, viz., Arnold Patent No. 1,129,942 (Rec. p. 1453), which issued (March 2, 1915) prior to the application for the patent in suit (Nov. 11, 1920) as well as prior to the original application (on September 3, 1915) from which the present patent was divided.

Referring to Fig. 6 of the prior Arnold patent, it will be seen that each of the first two audion tubes 1 is connected to its succeeding audion tube by means of a resistance capacity couple. The resistance elements are designated as 17 and 14 and the capacity connected in the lead to the grid electrode of the succeeding tube constitutes the condensers designated by the reference numerals 18. Fig. 7 of this patent discloses the resistance couple between the vacuum tube without the capacity element.

Similarly, Nichols Patent No. 1,257,381 (Rec. p. 1491) shows, in Fig. 3, two instances of a resistance capacity couple between audion tubes. In the lower portion of the figure the coupling is between the vacuum tubes 23 and 30. The resistance element is indicated at 31, and the capacity element at 36. In the middle of the figure the same type of coupling, with the same elements, similarly designated, is likewise shown. It will be noted that the Nichols patent issued more than two years prior to the application date (November 11, 1920) of the divisional application for the patent in suit.

It is thus apparent that the claims in issue of this Arnold patent are wholly invalid for abandonment and complete anticipation.

Arnold Patent No. 1,448,550 (Vol. II, p. 640).

The patent is designated as the "definite input impedance" patent. Claims 1 and 12 are involved. The earliest effective date for the patent is that of its filing, viz.: February 3, 1919. This is so because respondents have made no effort to establish what part, if any, of the subject-matter of the particular claims in suit constitutes a "continuation" of the earlier filed and abandoned applications. Claim 1 of the patent recites the combination of the following elements:

- (1) a three-electrode audion;
- (2) an inductive coil conductively connected to the input electrodes thereof (grid-filament); and
- (3) a conductive impedance in shunt to the coil.

Referring to the single figure of the drawings, this merely means that to satisfy the claim an inductance coil 5 is connected between the grid and filament electrodes, which inductance coil is shunted or has connected therearound a conductive impedance (such as a resistance) designated by reference character 6.

Claim 12 merely attempts to define the magnitude of the impedance, which is specified as "of the order of 500,000 ohms".

On the question of validity of this patent we first direct attention to Colpitts Reissue Patent No. 14,380 (Rec. p. 1486), the disclosure of which is identical with that of its original patent which issued on April 27, 1915, on an application filed May 18, 1914.

Referring to either figures 2 or 3, the input (grid-filament) circuit of the audion tube 1 contains the inductance 4 which is shunted by the resistance 36 which may either be fixed as to value, as shown in Fig. 3, or variable, as shown

in Fig. 2. Of course, as is made apparent by the disclosure of the Arnold patent in suit, a resistance is a conductive impedance. There is thus complete anticipation of the alleged invention of claim 1, as well as of any patentable subject-matter in claim 12.

We also call attention to the complete disclosure of the subject of input impedances and their control in the Colpitts Patent No. 1,129,959, granted March 2, 1915—(Rec. p. 1463). The input impedance of this patent is stated to be "high" (p. 2, line 76; see, also, Waterman XQ, R. 197, fol. 590).

We likewise direct attention to the Van Der Bijl Patent No. 1,350,752—(Rec. p. 1507), which issued on an application filed August 21, 1915, and in which the precise arrangement of the subject-matter of claim 1 of the Arnold patent is illustrated by the transformer 17 shunted by the conductive impedance 10 connected across the input (grid-filament) circuit of the audion tube 2, Fig. 4.

From the foregoing it will be seen that here, again, claim 1 of this Arnold patent is invalid because of complete anticipation, and that claim 12 thereof is devoid of patentable novelty as merely being for specific electrical values, any choice of which being exhausted by the teaching of the prior art that the shunted impedance may be varied to any desired value.

Arnold Patent No. 1,465,332 (Vol. II, p. 643).

The patent is designated as the "common plate supply" patent. Claims 1, 3, 5, 8, 10 and 11 are involved. The patent issued on August 21, 1923, on an application filed August 28, 1920. It purported to constitute a division of a divisional application, which in turn was based on an original application filed September 3, 1915. As the name given to

it implies, the asserted invention of this patent, and of the particular claims involved, consists of utilizing a common source of current supply for the plate or output circuit of a number of audion tubes.

Whenever a single source of current is utilized to supply the plate electrodes of a number of audion tubes in a system, it is obvious that there is bound to be a portion of the circuit which is common to all of the tubes. The existence of this common portion of circuit is apt to cause interaction between the various tubes so that an effect or influence in the circuit of one tube will be transmitted to the other tubes. To avoid this interactive effect it has been customary in the electrical art, specifically including the vacuum tube art, to employ what are termed "filters" inserted between the common portion of the circuit and the remainder of the circuits it is desired to partially isolate therefrom. A filter consists of nothing more or less than inductance and capacity.

What the patent purports to cover is, as its name indicates, a common plate current supply, with the usual filters between it and the respective audion tubes of the system. For example in claim 8, which may be taken as illustrative, interaction between the tubes due to the common source of plate current supply is prevented by "bridging a capacity" (connecting a condenser) "across each of the circuits connecting said tubes to said source". Another illustrative expression is that contained in claim 11 wherein the invention claimed is stated to be the provision of "filter connections between successive amplifiers of the system".

With the invention of the patent thus simply stated, it will be apparent from an examination of the pertinent art prior to the date of the patent that the claims are invalid.

The utilization of a common source of current for supplying the plate electrodes of any desired number of tubes,

as well as the utilization of filters to prevent interaction between the various tubes by reason of the common plate source supply, was known and used many years prior to the date of the patent in suit.

Reference is first made to Arnold Patent No. 1,129,942 (Rec. p. 1453) which it will be noted issued on March 2, 1915, prior to the filing date of the application for the patent in suit (August 28, 1920), as well as prior to the original application for patent (September 3, 1915) from which the patent in suit was divided. Reference to Figs. 5, 6 and 7, and the description thereof contained on page 3, lines 18 to 44 of the prior patent makes it perfectly apparent that the claimed invention of each of the claims of the patent in suit is there shown. The common source of current for the plate circuit of each of the vacuum tubes is that illustrated at 13. With reference thereto the specification states "a common battery serves for all of the plates" (p. 3, line 23). It will likewise be seen, for example Fig. 6, that there is provided an inductance 17 and condensers 18 in the connection between each of the plate electrodes and the filament thereof. This inductance and condenser in each instance is the same as the inductance 21 and condenser 23 of the patent in suit, and constitutes the "filter". Obviously, therefore, there is complete identity between the disclosure of the earlier Arnold patent and the claimed invention of the Arnold patent now under consideration.

This Arnold patent is, therefore, invalid because of complete anticipation.

Mathes Patent No. 1,426,754 (Vol. II, p. 619).

Claim 8 of this patent is the only one here involved.

This patent was involved in the *Wallerstein* case (60 Fed. [2d] 723) and was considered by the Court beginning at

page 731. A different claim (No. 25), directed to the same subject-matter, was involved in that suit and was held by the Court to be not infringed, with a direct implication that it was anticipated by a prior patent to Colpitts and Arnold. The Colpitts and Arnold Patent (No. 1,388,450) is here relied upon as a complete anticipation of claim 8, as well as several other patents to which reference will be made.

An examination of claim 8 shows that the invention purported to be covered thereby is, as stated by the Court in describing the disclosure of the patent, the supplying of a negative bias to the grid, input, or control electrode of an audion tube, and this is stated to be effected by employing the instrumentalities enumerated below with reference, for example, to Fig. 1 of the patent.

- (1) A source of current 6 connected to the cathode 3;
- (2) A resistance 9;
- (3) A circuit containing the cathode 3, a source 6, and the resistance 9 in series;
- (4) The resistance 9 being also included in the input circuit of the tube (viz.: the circuit which connects the grid electrode 2 with the filament electrode 3 through the inductance and resistance 8, 10, respectively) whereby a potential negative to an amount equal to the potential drop across the resistance 9 is maintained on the grid electrode 2.

In other words, and simply stated, the alleged invention defined by this claim of the Mathes patent consists merely in connecting a resistance between the negative terminal of the source of current, employed for lighting the filament, and the grid electrode so that the grid electrode will be

negative in potential relative to the filament electrode, by an amount equal to the potential drop across the resistance. Precisely this arrangement for exactly this purpose is disclosed in patents prior to Mathès.

Referring to Arnold Patent No. 1,129,942 (Rec. p. 1453), it will be seen (for example in Fig. 6) that the input (grid-filament) circuit of the audion tube 2 may be traced from the grid electrode 7, battery 11, condensers 18, resistance 14, impedance coil 17, battery 13, battery 12, resistance to the filament 9. Thus there is—

- (1) a source of current 12 connected to the cathode 9;
- (2) a resistance 14;
- (3) the circuit containing the cathode 9, the source of current 12, and the resistance 14 is in series; and
- (4) the resistance 14 is included in the input (grid-filament) of the tube.

If this circuit connection of the patent produces a negative potential on the grid electrode of the tube it inevitably, inherently and unavoidably will do likewise in the Arnold disclosure; and this is true wholly irrespective of whether or not additional instrumentalities, such as batteries, etc., may be employed to magnify or raise to a greater degree the negative potential applied thereto.

Similarly Fig. 2 of Arnold Patent No. 1,129,943 (Rec. p. 1459) shows an arrangement wherein the input circuit of the audion tube in the middle of the figure consists of that circuit which connects the grid electrode 1 through battery 5, resistance 8, battery 9, battery 7, resistance (unnumbered) to the filament 3 (all of the filaments being connected in series). Thus, here again, the filament lighting battery 7, the resistance 8, and the cathode are connected in series with

the resistance in the input circuit, which arrangement constitutes the invention purported to be claimed by claim 8 of the Mathes patent.

Finally, we direct attention to the Colpitts and Arnold Patent No. 1,388,450 (Rec. p. 1531), referred to by the Court in the *Wallerstein* case. In Fig. 2 the input circuit of the audion tubes 27 and 28 (which are connected in parallel) can be traced from their grid electrodes through the tuned circuit 58, 59, 60, resistance 64, balancing circuit 62, 63, 65, filament heating source of current 61, and filament resistance and filament 33. Thus it will be seen that the current source, the resistance, and the filament are in series, and that the grid electrodes will be maintained negative relative to their filament an amount determined by the drop of potential across the resistance.

It will be apparent, therefore, that claim 8 of the Mathes patent is wholly invalid because of complete anticipation.

Lowenstein Patent No. 1,231,764 (Vol. II, p. 615).

All of the claims of this patent are involved, except claim 3.

The prior art here relied upon is the same as that considered by the District Court in the *Western Electric Co. v. Wallerstein* case (51 Fed. [2d] 529), and which led to the conclusion by the District Court that the Lowenstein patent was invalid. This conclusion was reversed by the Court of Appeals below (60 Fed. [2d] 723) *without discussion of the art here presented.*

The Lowenstein patent is directed to applying an electrical potential on the grid electrode of an audion tube. More specifically, the invention consists of applying a *negative* potential on that electrode. An ordinary battery is employed for that purpose. The application of a potential

on the grid electrode of an audion tube—and specifically by means of the identical instrumentality, a battery—preceded Lowenstein by many years and is disclosed in Stone Patent No. 884,110 of 1908—(Rec. p. 1432; the battery is illustrated by reference character Z); and DeForest Patent No. 841,387 of 1907—(Rec. p. 1424, the battery is illustrated at B", Fig. 2).

Stone connected the *positive* terminal of his battery to the grid electrode of the audion tube so that a *positive* bias was applied to that electrode. There are only two possible ways of connecting the battery relative to the grid electrode, one being to connect a *positive* terminal thereto, and the other to connect the *negative* terminal thereto (see testimony of Heising, Rec. p. 116, fels. 347, 348). Therefore, with the advantage of using a biasing battery exhausted by Stone, and one of the only two possible ways of utilizing the battery for biasing purposes likewise exhausted by Stone, what invention remained, we ask, as distinguished from the ordinary expected skill of the man versed in the art, or, stated, another way, as distinguished from ordinary common sense, in using the sole remaining connection? We submit that no invention remained. And this is especially true in view of the fact that the original De Forest patent for the audion tube showed a biasing battery connected to the control electrode thereof (shown as a plate but the equivalent of the grid shaped wire in function and operation) with no designation of polarity of the biasing battery, leaving its polarity a matter of choice or desire (see battery B", Fig. 2, De Forest Patent No. 841,387—Rec. p. 1424).

Moreover, there was nothing whatever novel in the idea of maintaining the grid electrode of an audion tube negative relative to its filament at the time of the Lowenstein invention. From the earliest days of the audion art—indeed

since the invention of the audion by Dr. De Forest—the filament of the audion tube was *always* heated from a battery *so connected that its negative terminal would be connected to the grid electrode* (see De Forest Patent No. 879, 532—Rec. p. 1428, Figs. 1 and 2; De Forest Patent No. 995, 126—Rec. p. 1435, Figs. 1 and 2).

It is submitted, therefore, that the Lowenstein patent is wholly invalid as entirely wanting in patentable novelty.

Summary.

The time has long since past when a valid patent monopoly may be established on trivial, inconsequential changes or modifications over what existed in the prior art. The uniform trend of the decisions of this Court in patent cases—indeed, the express assertion in the opinions of this Court—is that a *substantial* step beyond the prior art must be taken in order to support a valid patent (*Carbice Corp. v. American Patents Development Corp.*, 283 U. S. 27; *American Fruit Growers Inc. v. Brogdex Co.*, 283 U. S. 1; *Smith v. Springdale Amusement Park Ltd.*, 283 U. S. 121). This has been judicially recognized by the Courts of Appeals below (e. g. *Rosenberg et al. v. Car Fastener Co.*, 51 Fed. (2) 1014, 1019); and this is specifically true in the radio art (*DeForest Radio Co. v. General Electric Co.*, 283 U. S. 664; *Technidyne Corp. v. McPhurben-Keator*, 72 Fed. (2) 242, C. C. A.). Those cases have made it quite evident that no longer can the mere changing of circuit connections, or optionally making an electrical constant variable or fixed, or changing the point of insertion of an instrumentality in an electrical circuit, or changing the polarity of a current source (as is the case with all of the patents here in suit) be successfully advanced as a basis for a valid patent.

Respondents' present attempt to appropriate monopolies by the mass of patents in this case, which patents differ from each other neither in substance nor disclosure, insofar as they are here pertinent, but the dates of applications for and issuance of which, spread over a period of many years, certainly does not warrant the approval or sanction of this Court.

The Arnold patents here in suit are obviously invalid because of statutory bar. And all of the patents in suit are invalid because of complete anticipation and want of patentable novelty.

On this phase of the case, therefore, the Court of Appeals should be reversed, and the case remanded to the District Court with instructions to dismiss the bill of complaint because of invalidity of all six of the patents on which the suit is based.

Conclusion.

In conclusion, it is submitted—

1. Petitioner, by its use of amplifiers purchased from a licensee of respondents, licensed to make and sell the amplifiers, did not and could not infringe the patents under which, concededly, the amplifiers were manufactured and sold. Therefore, petitioner is not guilty of infringement as charged in the bill of complaint.

2. The "license notice" attached to the amplifiers sold to petitioner, purporting to restrict the use to which the amplifiers might be put, was neither valid nor enforceable; and petitioner's use of the said amplifiers outside of the attempted restricted use specified in the said "license notice" did not, as a matter of law, make such use an infringement of the patents in suit.

3. Regardless of all patent questions involved in the case, the fact that the amplifiers were sold to petitioner by respondents' licensee under a license agreement between respondents and the said licensee which required royalty payment by the licensee, and the further fact that the royalties were paid by the licensee to respondents for all amplifiers so sold petitioner, which royalties were accepted and retained for a period of more than a year after the commencement of this action, bars respondents, because of acquiescence and estoppel, from maintaining this suit.

4. The four Arnold patents in suit all issued on applications filed more than two years subsequent to widely publicized commercial use of the inventions thereof by respondents, and in which applications the inventions here in controversy were first claimed. In consequence, those patents are wholly invalid under Section 4886 R. S.

5. Each of the six patents in suit is invalid because of complete anticipation by or want of invention over the prior patented art.

In consequence, the decision of the Court of Appeals below was in error, and, upon any one of the foregoing grounds, the Court of Appeals below should be reversed, and the case remanded to the District Court for the Southern District of New York with instructions to dismiss the bill of complaint.

Respectfully submitted,

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APPENDIX.

U. S. Revised Statutes, *Sec. 484* (U. S. C. Title 35, Sec. 40). Every patent shall contain a short title or description of the invention or discovery, correctly indicating its nature and design, and a grant to the patentee, his heirs or assigns, for the term of seventeen years, of the exclusive right to make, use, and vend the invention or discovery throughout the United States and the Territories thereof, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

U. S. Revised Statutes, *Sec. 488* (U. S. C. Title 35, Sec. 31). Any person who has invented or discovered any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvements thereof, not known or used by others in this country, before his invention or discovery thereof, and not patented or described in any printed publication in this or any foreign country, before his invention or discovery thereof, or more than two years prior to his application, and not in public use or on sale in this country for more than two years prior to his application, unless the same is proved to have been abandoned, may, upon payment of the fees required by law, and other due proceeding had, obtain a patent therefor.

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